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Second cooperation framework with Nicaragua (2002-2006)

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Introduction

1. The Government of Nicaragua has established the following priority objectives for its activities: poverty reduction and increasing the competitiveness of its economic system; strengthening of democratic institutions and governance; access to justice, combating corruption and promotion of popular participation.

2. In the framework of the Highly Indebted Poor Countries (HIPC) initiative, whose requirements Nicaragua has met, the Government has elaborated the Enhanced Strategy for Economic Growth and Poverty Reduction (ERCERP), an important frame of reference in setting priorities for international cooperation.

3. The United Nations Development Assistance Framework (UNDAF) elaborated in 2001 serves as a reference for UNDP activities during the period 2002-2006, during which it will strengthen its strategic alliances with the other development organizations with a presence in Nicaragua in order to achieve better results in combating poverty and promoting human development, thereby helping Nicaragua to reach the targets and meet the commitments it made at the Millennium Summit.

4. The UNDP strategy emphasizes the strengthening of national capacity at the institutional, individual and social levels, thus promoting integral human development in harmony with national priorities.

I. Situation of the country from a sustainable human development perspective

5. The economy of Nicaragua is essentially based on agriculture. Although agricultural growth was for many years an important source for creating wealth and jobs, for several decades it has suffered deterioration and stagnation due to a combination of both internal and external factors. As a result of these inadequate incomes, there has been a pronounced increase in poverty. The most recent estimates indicate that 48 per cent of the population lives in poverty and some 19 per cent in extreme poverty. Poverty prevails in rural areas; around 70 per cent of the poor are peasants.

6. Environmental degradation and the resulting increased vulnerability are an integral part of the problem of poverty. The unsustainable use of environmental resources in rural areas is accompanied by problems of lack of access to land ownership and a scarcity of production, social, credit and educational infrastructure, factors which put the rural population in a position of insecurity and disadvantage.

7. The country is highly susceptible to large-scale natural disasters like Hurricane Mitch in 1998, which had serious effects on its economy and production infrastructure.

8. Low income from wages and the weakness of the economy led to a large increase in emigration to foreign countries, especially to Costa Rica. Remittances from abroad have become a source of additional income for families. But the effects of these displacements including family breakdown and child abandonment, have still not been measured.

9. The method of improving income distribution through support to the most vulnerable groups has not yet achieved measurable results. In 2001, the 10 per cent of the population with the most resources accounted for 46 per cent of the total income; the poorest 20 per cent accounted for only 3.6 per cent.

10. After the recession following the conflicts of the 1980s, beginning in 1994, the Nicaraguan economy, managed to resume growth and achieved an annual average of 4 per cent up to 2000. However, this relative economic and financial stability is fragile, basically because of the fiscal deficit and the balance of payments in relation to GDP. Another financial problem occurring in the past few years is the high level of internal Government debt; this debt is not covered by the HIPC initiative.

11. Instability in macroeconomic indicators (Central Bank of Nicaragua) has hindered the execution of programmes supported by the International Monetary Fund (IMF). The latest structural adjustment programme was suspended in 2000; during 2001 a monitoring programme was implemented. Currently, the Government is negotiating a new agreement with the IMF for the Poverty Reduction and Growth Facility (PRGF) for the next three years. This has delayed progress in the negotiations on the HIPC initiative, because of the requirement for external debt reduction of an economic programme approved by IMF. Furthermore, progress towards targets and indicators of progress incorporated in the ERCERP must be monitored. After completion of the Poverty Reduction Strategy Paper (PRSP), the IMF and World Bank must approve the paper to complete the HIPC initiative

process. That will grant Nicaragua substantial external debt relief for up to three years.

12. In the area of governance, the country has made substantial progress. It has consolidated forums and processes for dialogue which constitute the foundations of a more participatory democracy. The proactive role taken on by the National Council for Economic and Social Planning (CONPES), a forum for dialogue between civil society and the Government on public policy, has made it possible to improve the formulation of such key measures as ERCERP and the General Budget of the Republic, the structuring of a Vision for the Nation, the National Environmental Policy and other strategic policies and draft laws.

13. In recent years the quality of the administration of justice has improved. However, a significant lack of access persists and there are delays in proceedings, mainly for individuals with few resources. The generalized perception of a lack of independence among the branches of Government makes it difficult to consolidate the rule of law.

14. In the area of transparency and accounting, activities in the area of institutional strengthening are being carried out, but more impetus is needed, mainly within the framework of ERCERP, to improve the targeting of resources and the participation of social actors, especially among the poor. The Government has actively promoted the fight against corruption, bringing cases to court, including high-profile financial and political cases. It has also established institutional mechanisms to promote transparency in the public sector.

15. According to the Human Development Report 2000 on Nicaragua, major inequities remain in access to services and opportunity. Overcoming disparities for reasons of socio-economic status, age, gender or ethnicity, as well as discrepancies between the Atlantic, Central and North regions and the Pacific and Capital regions in such areas as infrastructure, resources and basic social services, is a fundamental issue.

II. Results and lessons of past cooperation

16. A review of the UNDP programme in Nicaragua was conducted in October 2001. The evaluation team noted significant progress in the three thematic areas defined in the Strategic Results Framework.

17. In the area of democratic governance, the role of UNDP was highlighted as facilitator of forums for political dialogue and for strengthening of the administration of justice through promoting greater access by the people and better administration. It also noted the contribution of UNDP to the strengthening of CONPES as a mechanism for participation of civil society and for dialogue with the Government on public policy. Major progress was also achieved in incorporating the concept of sustainable human development, support for the establishment of the National System for Disaster Prevention, Mitigation and Relief, and promoting risk management capacity at the local level.

18. With regard to poverty reduction, the formulation of ERCERP was supported through facilitation of a broad consultation process. Systems of information and development indicators were established which were used as a foundation for ERCERP. The first Human Development Report on Nicaragua was submitted in 2000. In the area of production, UNDP supported Government efforts to develop small and medium business and strengthen credit capacity. Investment and export were promoted through the Centre for Exports and Investments (CEI) and, together with the Ministry of Development it designed the Productive Transformation Programme (PTP).

19. With regard to the environment, UNDP has supported the country in building capacity for environmental management; meeting its global commitments under the Convention on Biological Diversity, the United Nations Framework Convention on Climate Change and the United Nations Convention to Combat Desertification; and in developing instruments for monitoring and follow-up to environmental policy. During the cycle two major sustainable development projects were carried out in the Region Autónoma Atlántico Sur (RAAS) (Southern Atlantic Autonomous Region) and in two municipalities of Chinandega Department (Green Communities). UNDP coordinates the regional project Meso-American Biological Corridor, which links regional and local activities in eight Central American countries.

20. The major lessons learned include the importance of contributing to public policy and achieving

coherence and focusing the programme around the agreed thematic targets, rather than executing isolated projects. Because of its reputation for transparency and neutrality, UNDP functioned as a facilitator for international cooperation, and was able to support various processes of political dialogue between the Government and civil society, like the National Dialogue.

21. Furthermore, its results-oriented approach facilitated a more precise definition of the areas of concentration and harmonization with the institutional objectives established by the Executive Board and the Administrator.

22. The Common Country Assessment and UNDAF allowed for effective coordination within the United Nations system. During this cycle an effort will be made to make those instruments operational and to develop joint programmes.

III. Proposed strategy, thematic areas and expected results

23. The determining factors of this cooperation framework for 2002-2006 are national Government priorities, international commitments, the areas of action established in UNDAF and UNDP institutional targets at the global level.

24. In harmony with UNDP global targets, the main objective of this cooperation programme is poverty reduction, from a sustainable human development perspective and through building national capacity at the level of institutions, the individual and society.

25. Three thematic areas were chosen: (a) democratic governance; (b) environmental sustainability; and (c) sustainable economic development. These areas are intimately related and form a coherent programme of action. Because of the particular characteristics of the Autonomous Regions on the Atlantic coast, a programme with an interdisciplinary approach will also be conducted in those regions that will cover the three thematic areas.

A. Democratic governance

26. UNDP will contribute to the consolidation of democracy and the strengthening of the rule of law. The support of UNDP as a strategic ally of the Government will help to consolidate the relationship with the Executive, Legislative and Judicial Branches, as well as with regional and local institutions and governments. In addition, UNDP works with CONPES to promote greater civil society participation in public policy.

27. *Projected outcomes*: Strengthening of key State institutions through support to the formulation of public policy and national capacity-building.

28. *Indicators*: Governmental plans, programmes and strategies for institutional modernization in the three branches of the State, from a sustainable human development perspective. Government leadership in putting into practice mechanisms for transparency and efficiency in the management and coordination of the public sector and external cooperation. Government leadership in setting development priorities. The existence of institutionalized mechanisms for debate and consultation between the Government and civil society.

29. *Expected results*: Increased technical capacity among the key coordination bodies, like CONPES and CONADES in the areas of planning, organization, leadership, getting results and harmonization in order to formulate public policy proposals. Stronger analytical ability in sectors which influence public opinion and a positive approach through constructive debate in Nicaraguan society. Strengthened capacity of politicians. In the Executive Branch, stronger institutional mechanisms for the harmonization of public resources and international cooperation as a function of national policies and priorities, under the coordination of the Office of the President of the Republic and with the participation of CONPES. Initiation of a reform of public administration in order to improve efficiency and transparency in the management of resources and provision of services to society. Strengthened national capacity for negotiation and management to promote integration initiatives and put Nicaragua and the region in a competitive position with respect to the international economy. Strengthened national capacity to negotiate and manage external cooperation. Application of a strategy of citizen security through the elaboration of analytical instruments and the establishment of coordination mechanisms between State institutions and civil society. In the Legislative Branch, committees of the National Assembly technically qualified to update the country's legislative framework. In the Judicial Branch,

an in-depth and integral review of the administration of justice, in terms of the independence of the judiciary, the system of electing judges and magistrates and training for judges and lawyers, in order to contribute to a development plan for the administration of justice and expansion of the legal infrastructure.

B. Environment and energy

30. UNDP, with the support of the specialized agencies of the United Nations system, will contribute to the management of the environment and energy development in order to improve the living conditions and safety of the poor.

31. *Projected outcomes*: Increase in energy supply for the rural population and promotion of renewable energy sources.

32. *Indicator*: Replicable pilot projects with a multi-sectoral approach to sustainable energy supply.

33. *Expected results*: Increased technical capacity of the Government and civil society to integrate the outlines of environmental policy with national, sectoral and local development plans and programmes. Validation of innovations in conservation and sustainable use of ecosystems of global and local importance, using the resources of the Global Environment Facility (GEF). Joint investment plans with the private sector for the restoration and management of endangered ecosystems and forests and those with great potential resources. Promotion of national and local capacity through pilot projects to counteract desertification and mitigate the effects of drought in critical areas. Greater local risk management capacity and lower vulnerability to natural disasters.

C. Sustainable economic development

34. UNDP will contribute to sustainable economic development by reinforcing forums for national reflection on economic development policy, poverty reduction and initiatives to facilitate access by the poor to productive resources. UNDP will also assist in the development of public and private organizational capacity in order to provide incentives for participation in the management of development and give impetus to an effective strategy to combat poverty by increasing access to economic opportunities.

35. *Projected outcomes*: Implementation of an integral and multi-sectoral framework on the Atlantic coast, from an approach based on sustainable human development and active participation. Strengthening of the capacity of governmental and non-governmental bodies in measurement, monitoring and analysis of poverty indicators.

36. *Indicators*: National estimates of human poverty and income poverty updated regularly and disaggregated to detect and monitor inequities. Operational mechanisms for efficient participation and coordination for the application and monitoring of the ERCERP and instruments for development programming and the national, departmental and local levels. Regional and local development plans carried out with a participatory and integral approach which include question of gender, risk management, human settlements, environmental management and poverty reduction targets.

37. *Expected results*: Government institutions provided with appropriate instruments and techniques for producing statistics, studies and analysis of human development to serve as a basis for the national discussion on the situation and trends in the country and a foundation for the formulation of public policy. Strengthening of the capacity of regional, municipal and local institutions to incorporate a sustainable human development perspective in municipal plans and programmes. Increased technical capacity of regional bodies for coordination and dialogue in order to participate actively in the country's development. Greater risk management capacity in the most vulnerable municipalities of the Autonomous Regions. Creation of the conditions for productive development, through the sustainable use and management of natural resources in priority areas; and for competitiveness and access to markets for communities and producers. A national process of dialogue and consultation on human development in relation to the Millennium Development Goals to determine the policies necessary in order to reach those objectives within the established time period. Greater national capacity for effective participation and appropriation of sustainable and equitable strategies for poverty eradication through participatory systems of policy monitoring and evaluation. Strategic and participatory pilot projects at the departmental level to combat poverty and social exclusion which help in the formulation of public policy with a sustainable human development approach

by applying the initiative of the alliance against poverty.

IV. Management arrangements

38. National execution will continue to be the main modality, promoting greater country ownership of the programmes and projects. However, direct execution and execution by other agencies will also be used when necessary.

39. UNDAF provides for six types of inter-institutional projects in the joint programme: (a) strengthening of vital statistics in Nicaragua; (b) support to the National Programme for Sexual and Reproductive Health with a sectoral approach; (c) decentralization of United Nations system offices; (d) international meeting on external cooperation in Nicaragua; (e) civil society advisory group; (f) Programme for Integral Development in Rural Priority Areas.

40. There has been major progress in decentralization of offices. The first United Nations system office in the city of Léon is already in place. In 2002 a decentralized office will be established in Bluefields and another in the North of the country.

41. Together with the Government, UNDP will apply a broad resource mobilization strategy from multilateral and bilateral financial institutions, promoting strategic alliances and playing the role of catalyst for programmes that are broader in scope. The alliances will cover various themes, including justice, citizen security, productive development, HIV/AIDS, health and environment. At the same time, an attempt will be made to mobilize private sector resources and promote investment to create jobs and combat poverty.

42. Through the strengthening of the coordination of external cooperation in the Ministry of Foreign Affairs, harmonization of national resources and external cooperation will be achieved regarding ERCERP and other development programming instruments. The incorporation of cooperation programmes into national programmes, which will set priorities and establish criteria for monitoring and evaluation, will be promoted.

Annex

Resource mobilization targets for Nicaragua (2002-2006)

Source	*Amount (In thousands of United States dollars)*	*Comments*
UNDP core resources		
Estimated balance available	783	
Purpose of resources allocated from core funds (item 1.1.1)	6 453	
Purpose of resources allocated from core funds (item 1.1.2)	0 to 66.7 per cent of item 1.1.1	These percentages are given only for initial planning purposes. The actual allocation will depend on the quality of the programme. Any increase in percentage will also depend on availability of resources.
Purpose of resources allocated from core funds (item 1.1.3)	500	
Subtotal	**7 736**	
Non-core funds		
Government cost-sharing	10 000	
Third party cost-sharing	45 000	
Funds, trust funds and other resources	18 000	
Subtotal	**73 000**	
Total	**80 736**	